



## U.S. Small Business Administration

Richmond District Office  
400 N. 8<sup>th</sup> St., Suite 1150, Box 10126  
Richmond, VA 23240

### SBA – The Surety Bond Guarantee Program

The Surety Bond Guarantee Program provides small and minority contractors and qualified HUB-Zone contractors with contracting opportunities for which they could not otherwise compete. By law, prime contractors to the federal government must post surety bonds on federal construction projects valued at \$100,000 or more. Many state, county municipal and private-sector contracts also require bonding, but small and minority businesses may not be able to obtain bonds through regular commercial channels. Through this program, the U.S. Small Businesses Administration can guarantee bid, performance and payment bonds for contracts up to \$2.0 million for eligible small contractors.

A surety bond is a three-way agreement between the Surety Company, the contractor and the project owner. It binds the contractor to comply with the terms of a contract. If the contractor is unable to do so, the surety assumes the responsibility and ensures that the project is completed. The SBA guarantees surety companies against a percentage of losses sustained as a result of a contractor's default on a guaranteed bid, payment or performance bond.

There are four major types of surety bonds:

**\*Bid** – guarantees the bidder will enter into a contract and furnish the required payment of performance bonds.

**\*Payment** – guarantees payment from the contractor to parties who furnish labor, materials, equipment and supplies.

**\*Performance** – guarantees the contractor will fulfill the contract in accordance with its terms.

**\*Ancillary** – bonds which are incidental and essential to the performance of the contract.

The SBG Program consists of the **Prior Approval Program** and the **Preferred Surety Bond Program**. Under the Prior Approval Program the guarantee may range from 80 to 90 percent of the losses sustained under a guaranteed bond, and the surety must obtain SBA approval for each bond. Under the Preferred Surety Bond Program, selected sureties receive a 70 percent bond guarantee and are authorized to issue, service and monitor bonds without the SBA's prior approval.

#### Eligibility

**Contractors** – In addition to meeting the surety's bonding qualifications, a contractor must meet the SBA's size eligibility standards for a small business. Your SBA district office can answer any questions regarding eligibility.

**Bonds** – The SBA can guarantee bonds for contracts up to \$2.0 million. A contract bond (bid, performance or payment) is generally eligible for a SBA guarantee if the bond is –

\*Listed in the Contract Bonds section of the Surety Association of America's *Manual Rules, Procedures and Classifications*;

\*Required by the contract or invitation to bid; and

\*Executed by a surety company that is acceptable to the U.S. Treasury (circular 570) and qualified by the SBA.

Ancillary bonds may also be eligible. For more information, contact your SBA district office.

#### Submitting an Application

The contractor chooses a participating surety company and applies for a specific bond through a bonding agent who represents that surety. The application provides the background, credit and financial information required by the Surety Company and the SBA.

Once the surety company receives the completed forms and sufficient underwriting information from the applicant, and decides whether to –

\*Execute the bond without SBA's guarantee,

\*Execute it only with the SBA's guarantee, or

\*Decline the bond even with the SBA's guarantee.

If a surety in the **Prior Approval Program** determines that the SBA must guarantee the bond, it submits an underwriting review, guarantee agreement, supporting documents, and the contractor's application forms to the SBA. If the application is for a final bond, the contractor's guarantee-fee check is also attached.

A surety in the **Preferred Surety Bond Program** may issue the bond without the SBA's approval. The surety must then report the bond to the SBA and forward the contractors' fee payment within the required time.

### **Application Review**

In the Prior Approval Program, the SBA reviews the information, documentation and underwriting rationale of the surety company to determine if the application is eligible for the program. If it is, and the information submitted by the surety company appears favorable, the SBA guarantees the bond (the SBA may also request additional information).

### **Fees**

The SBA charges fees to both the contractor and the surety company; rates are published periodically in the *Federal Register*. The SBA does not charge the contractor a fee for an application or a bid-bond guarantee.

When the bond is issued, the contractor pays the Surety Company's bond premium. This charge cannot exceed the level approved by the state in which the bond is issued.

### **For More Information:**

SBA Area 1, Office of Surety Bond Guarantee Program, Robert C. Nix Federal Building, 900 Market St, 5<sup>th</sup> Floor, Philadelphia, PA 19107

- Keturah A. Burrell, 215-580-2719, email: [keturah.burrell@sba.gov](mailto:keturah.burrell@sba.gov)
  - Dmitri Matishen 215-580-2730, email: [dmitri.matishen@sba.gov](mailto:dmitri.matishen@sba.gov)
- Internet – [www.sba.gov](http://www.sba.gov) /OSG/

Below is a list of local Agents most frequently utilizing the SBG:

Construction Bonds, Inc.  
PO Box 488  
Dunn Loring, VA 22027-0488  
John Hughes  
703-205-2900 (office) 703-201-9705 (cell)  
703-205-2904 (fax)  
Website: [www.sbabonds.com](http://www.sbabonds.com)  
Email: [john@sbabonds.com](mailto:john@sbabonds.com)

Freedom Bonding, Inc.  
1110 Liberty Road, Suite H  
Randalltown, MD 21133  
Mark Congdon  
Lee Stevens  
(410) 922-2221 (office)  
Email: [markcongdon@freedombondinginc.com](mailto:markcongdon@freedombondinginc.com)  
[leestevens@freedombondinginc.com](mailto:leestevens@freedombondinginc.com)

Delmarva Surety  
Harvest Building  
2345 York Road, Suite B012  
Timonium, MD 21093  
Diane Armstrong  
1-877-276-3636  
E-mail: [darmstrong@delmarvasurety.com](mailto:darmstrong@delmarvasurety.com)  
Website: [www.delmarvasurety.com](http://www.delmarvasurety.com)

Construction Capital, Inc.  
1710 N. Douglas Dr., Suite 110  
Golden Valley, MN 55422  
(866)317-3294 (toll free)  
Fax: (763) 512-0430  
Jeremy Crawford  
Andrea J. Michael  
[jcrawford@constructioncapitalinc.com](mailto:jcrawford@constructioncapitalinc.com)  
[amichael@constructioncapital.com](mailto:amichael@constructioncapital.com)  
Website: [www.constructioncapitalinc.com](http://www.constructioncapitalinc.com)

### **Did you know that America's 23 million small businesses –**

- \*Employ more than 50 percent of the private workforce
- \*Generate more than half of the nation's gross domestic product, and
- \*Are the principal sources of new jobs?

*All of the SBA's programs and services are provided to the public on a nondiscriminatory basis.*

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